

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6578S.02C
 Bill No.: SCS for SB 1534
 Subject: Taxation and Revenue - Sales and Use
 Type: Original
 Date: March 10, 2026

Bill Summary: This proposal excludes credit card and debit card processing fees from being subject to sales tax as gross receipts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	(\$24,488,568) *	(\$32,651,424)	(\$32,651,424)
Total Estimated Net Effect on General Revenue	(\$24,488,568) *	(\$32,651,424)	(\$32,651,424)

*Oversight notes the fiscal impact for FY 2027 is less because FY 2027 is a partial year (9 months).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
School District Trust Fund (1688)	(\$8,162,856) *	(\$10,883,808)	(\$10,883,808)
Conservation Commission Fund (1609)	(\$1,020,357) *	(\$1,360,476)	(\$1,360,476)
Parks and Soils State Sales Tax Fund(s) (1613 & 1614)	(\$816,286) *	(\$1,088,381)	(\$1,088,381)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$9,999,499) *	(\$13,332,665)	(\$13,332,665)

*Oversight notes the fiscal impact for FY 2027 is less because FY 2027 is a partial year (9 months).

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	(\$38,365,424) *	(\$51,153,898)	(\$51,153,898)

*Oversight notes the fiscal impact for FY 2027 is less because FY 2027 is a partial year (9 months).

FISCAL ANALYSIS

ASSUMPTION

§144.010 – Sales Tax for Certain Processing Fees

Officials from the **Department of Revenue (DOR)** note the Department of Revenue (DOR) is following a Supreme Court ruling from November of 1994 citations: 887 S.W.2d 593, which ruled credit card fees were “not charges incident to the extension of credit” and were not excludable from gross receipts and the fact that business chose to pay the credit card fees out of the proceeds of the sales did not decrease the amount of the retail establishment’s gross receipts from those sales.

Under current law, sales tax is owed on the item at the time of sale. The retail establishment selling the item is to collect that sales tax.

If a retail establishment accepts credit or debit cards chooses to pass the card transaction fee on to the customer at the point of sale, that fee becomes part of the total transaction’s gross receipts and are subject to sales tax.

Conversely, if the retail establishment absorbs the credit or debit card transaction fee as a business expense rather than passing it on to the customer, the fee is not subject to sales tax. In this case, the business may deduct the expense on its income tax return.

Consumer purchasing behavior has shifted significantly toward electronic payments. Credit and debit cards have largely replaced cash transactions, and online purchases continue to grow. This trend has increased the prevalence of credit/debit card transaction fees. Additionally, the recent elimination of the penny has further accelerated the use of card-based payments.

Credit/debit card transaction fees in 2025 typically range from 1.5% to 4% of the total sale amount plus a set rate per transaction, per Bankrate. Businesses incur these fees for the privilege of accepting card payments. Per Bankrate, American Express generally charges between 1.43% + \$0.10 to 3.30% + \$0.10 per transaction, while Visa and Mastercard tend to charge between 1.15% + \$0.05 and 2.5% + \$0.10 per transaction. This means when a business sells \$10,000 in credit card transactions per week, they could pay around \$115 to \$250 in Visa and Mastercard fees while paying around \$143 to \$330 in Amex fees.

This proposal is modifying the definition of “gross receipts” to exclude credit/debit card transaction fees when credit/debit cards are used by consumers at point of sale.

DOR pulled information from the National Retail Federation that stated that in 2024 credit/debit card companies collected \$187.2 billion in these transaction fees. Using information obtained from the U.S. Bureau of Economic Analysis, Missouri residents spending is about 1.9% of all

spending in the U.S. Therefore \$3,556,800,000 of the total transaction fees are collected on sells occurring in MO based on these figures.

Based on data published by Nielson Research in 2024, \$187.2 billion in credit / debit card charges were collected by credit companies. Based on additional data published by J.D. Power (2025 Merchant survey), 34% of retailers directly pass on the credit / debit charge to consumers.

The state sales tax is 4.225%. That sales tax is broken down as:

General Revenue	3%
School District	1%
Conservation Commission	.125
Parks, Soil & Water Funds	.1%

Therefore, DOR calculates the loss of sales tax on the \$3,556,800,000 transaction fees to be \$150,274,800 then applied the 34% of retailers know to directly pass on the credit/debit charges to customers. In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live. For fiscal note purposes, the local average sales tax rate will be 4.7%. This proposal would result in the loss to the following state and local sales tax funds:

This bill would become effective August 28, 2026, and sales tax is remitted one month behind collection. Therefore, this would result in a loss to state revenue of 9 months of remittances in FY 2027. Therefore, the loss to state and local funds if all businesses are currently putting the charges in their gross receipts would be:

DOR Table 1: Estimated State Revenue Impact

<u>State Funds</u>	<u>FY27</u>	<u>FY28+</u>
General Revenue	(\$24,488,568)	(\$32,651,424)
Education (SDTF)	(\$8,162,856)	(\$10,883,808)
Conservation	(\$1,020,357)	(\$1,360,476)
DNR	(\$816,286)	(\$1,088,381)
Total State Impact	(\$34,488,067)	(\$45,984,089)

DOR Table 2: Estimated Local Revenue Impact

<u>Local Funds</u>	<u>FY27</u>	<u>FY28+</u>
Local Sales Tax	(\$38,365,424)	(\$51,153,898)

This proposal would require updates to DOR forms (\$2,200), the department’s website and computer programs (\$7,547). These costs are estimated at \$9,747.

Oversight notes the DOR requests a one-time cost for website, form changes and computer updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would exempt credit and debit card fees from sales tax if those fees are passed on to the consumer. This exemption would begin August 28, 2026.

B&P notes that credit card (and some debit card) companies charge a flat per swipe fee or a variable rate fee to merchants whenever their card is used. Retailers typically face three options regarding those fees. They can: absorb the cost and right off the expense on their income taxes, raise prices by enough to offset fee costs, or charge customers the credit card fee.

If businesses absorb the costs, no extra sales tax is levied. If businesses raise the general price of items, sales tax is collected on that inflated price. If businesses pass the fee directly on to consumers, the Missouri Supreme Court has ruled (*Central Hardware Company and Budget Rent-a-Car v. Director of Revenue*, 1994, 887 S.W.2d 593) that such charges should be included in the total purchase price of items. Therefore, sales tax should be collected on the fee, even if stated separately on the sales receipt.

This proposal would exempt the latter option (direct charge) from state and local sales taxes, by excluding the credit / debit charge from the final sales price by excluding them from the definition of “gross receipts”. Table 1 lists when sales tax is charged under current law and proposed changes.

B&P Table 1: When Sales Tax Is Charged

Credit Charge	Sales Tax - Current	Sales Tax - Proposed	Income Tax Expense
Fees absorbed	No	No	Yes
Prices increased	Yes	Yes	No
Direct charge	Yes	No	No

Based on data published by Nielson Research in 2024, \$187.2 billion in credit / debit card charges were collected by credit companies. Based on additional data published by J.D. Power (2025 Merchant survey), 34% of retailers directly pass on the credit / debit charge to consumers.

Based on data published by the BEA, personal consumption in Missouri is 1.71% of total national consumption. Therefore, B&P estimates that of the \$187.2 billion in charges, \$3.2 billion was charged to Missouri consumers. Assuming the percentage of retailers that passes on those fees directly is the same in Missouri as the national 34%, B&P estimates that of the \$3.2 billion in fees on Missouri consumers, approximately \$1.1 billion was charged separately.

Therefore, B&P estimates that this proposal could exempt \$1.1 billion from state and local sales tax. Table 2 shows the estimated revenue impact to state and local funds.

B&P Table 2: Estimated Revenue Impact

<u>State Funds</u>	<u>FY27</u>	<u>FY28+</u>
General Revenue	(\$24,488,568)	(\$32,651,424)
Education (SDTF)	(\$8,162,856)	(\$10,883,808)
Conservation	(\$1,020,357)	(\$1,360,476)
DNR	(\$816,286)	(\$1,088,381)
Total State Impact	(\$34,488,067)	(\$45,984,089)

B&P Table 2 Continued: Estimated Revenue Impact

<u>Local Funds</u>	<u>FY27</u>	<u>FY28+</u>
Local Sales Tax	(\$38,365,424)	(\$51,153,898)

However, it is unclear how many retailers are currently collecting sales taxes on the credit card fees directly passed on to consumers. B&P assumes that much of this estimated “loss” will actually be forgone revenues.

Therefore, B&P estimates that this proposal could reduce GR up to \$32,651,424 once fully implemented. This proposal could also reduce local sales tax collections by up to \$51,153,898 once fully implemented.

Officials from the **Missouri Department of Conservation** assume the proposed legislation has an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC’s sales taxes are constitutional mandates. Oversight assumes the proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show DOR & B&P’s estimates for MDC’s funds.

Officials from the **Department of Natural Resources** defer to the Department of Revenue for the potential fiscal impact of this proposal.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR’s sales taxes are constitutional mandates. Oversight assumes the proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show DOR & B&P’s estimates for MDC’s funds.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Oversight notes officials from B&P and DOR both assume the proposal will have a direct fiscal impact on state and local revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOR’s and B&P’s estimated impact in the fiscal note.

Officials from the **Eastern Clay Ambulance District, Office of the Secretary of State, and the Joint Committee on Administrative Rules** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Loss – DOR</u> (§144.010) Certain processing fees excluded from definition of “gross receipts” p.4	(\$24,488,568)	(\$32,651,424)	(\$32,651,424)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$24,488,568)</u>	<u>(\$32,651,424)</u>	<u>(\$32,651,424)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Loss – DOR</u> (§144.010) Certain processing fees excluded from definition of “gross receipts” p.4	(\$8,162,856)	(\$10,883,808)	(\$10,883,808)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$8,162,856)</u>	<u>(\$10,883,808)</u>	<u>(\$10,883,808)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
CONSERVATION COMMISSION FUND			
<u>Revenue Loss – DOR (§144.010)</u> Certain processing fees excluded from definition of “gross receipts” p.4	<u>(\$1,020,357)</u>	<u>(\$1,360,476)</u>	<u>(\$1,360,476)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(\$1,020,357)</u>	<u>(\$1,360,476)</u>	<u>(\$1,360,476)</u>
PARKS AND SOILS STATE SALES TAX FUNDS			
<u>Revenue Loss – DOR (§144.010)</u> Certain processing fees excluded from definition of “gross receipts” p.4	<u>(\$816,286)</u>	<u>(\$1,088,381)</u>	<u>(\$1,088,381)</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	<u>(\$816,286)</u>	<u>(\$1,088,381)</u>	<u>(\$1,088,381)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss – DOR (§144.010)</u> Certain processing fees excluded from definition of “gross receipts” p.4	<u>(\$38,365,424)</u>	<u>(\$51,153,898)</u>	<u>(\$51,153,898)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$38,365,424)</u>	<u>(\$51,153,898)</u>	<u>(\$51,153,898)</u>

FISCAL IMPACT – Small Business

Certain small businesses that include debit/credit card processing fees in their prices could be impacted by this proposal.

FISCAL DESCRIPTION

This bill modifies the definition of "gross receipts" for the purposes of sales tax, to provide that charges incident to the extension of credit must include credit card and debit card processing fees.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Department of Natural Resources
Missouri Department of Conservation
Office of the Secretary of State
Joint Committee on Administrative Rules
City of Kansas City
Eastern Clay Ambulance District



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